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POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268

Postal Rate and Fee Changes

Docket No. R97-1

PRESIDING OFFICER'S RULING DENYING MOTION OF THE DIRECT MARKETING ASSOCIATION TO COMPEL RESPONSE TO DMA/USPS-11

(January 7, 1998)

On December 22, 1997, the Direct Marketing Association (DMA) submitted a motion to compel a response to DMA/USPS-11. The Direct Marketing Association's Motion to Compel Response of the United States Postal Service to Interrogatory DMA/USPS-11 (Motion). This interrogatory asks about a recent study comparing non-exempt postal employees with employees in the private sector. The interrogatory requests a copy of the study and inquires about wage differentials, the study's methodology and Postal Service's actions designed to "better align wages for nonexempt employees with private sector wages for employees performing similar work."

The Postal Service responded on December 31, 1997 by answering the interrogatory but not providing the study. Motion for Late Acceptance of and Response of United States Postal Service to Direct Marketing Association Motion to Compel Response to DMA/USPS-11, and Partial Answer to Interrogatory (Opposition) at 3.

DISCUSSION

DMA seeks the study because of its relevance to the Postal Service's revenue requirement. Motion at 3-4. DMA submits that estimates of cost savings from cost


reduction programs are part of the roll forward model. "To determine whether the Postal Service's estimates of the savings from such programs and, therefore, of the Postal Service's future productivity are reasonable, it is at least relevant to compare them with similar data from the private sector." Motion at 4. DMA believes wage differentials between the USPS and the private sector can assist the Commission in "determining the reasonableness of postal productivity estimates." *Id.*

The Postal Service responds that test year costs are based on actual compensation levels and anticipated changes in those levels. Opposition at 1. Hence, the Postal Service believes that wage differentials "provide no useful information in evaluating the costs" in this omnibus rate case. *Id.* In addition, the Service argues that the study's sensitivity, due to approaching labor contract negotiations, precludes its release. *Id.* at 2.

DMA is mistaken in suggesting that wage differentials can assist the Commission in evaluating the reasonableness of the Postal Service's estimation of cost savings and productivity gains. Changes in wage levels are estimated for the test year and do not depend upon future labor negotiations. The Postal Service's estimates of cost reduction programs savings (and other programs cost increases) are not generated by estimating productivity gains derived from wage reductions. Rather, these estimates come from estimates of workhour reductions. Tr. 13/7194. Postal Service estimated wage rates for FY 1997 and the test year are used to estimate savings, but the wage rates are generally not subject to adjustment to reflect private sector experience; they are computed separately from the workhour savings estimates. Consequently, the detailed information contained in the study has no bearing on the Commission's analysis of the Postal Service's estimates of cost savings in the test year.

RULING

The Direct Marketing Association's Motion to Compel Response of the United States Postal Service to Interrogatory DMA/USPS-11, filed December 22, 1997, is denied.



Edward J. Gleiman
Presiding Officer